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Company Registration No. FC038602

HC-ONE TOPCO LIMITED

Annual Report and Financial Statements
For the year ended 30 September 2022

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

CONTENTS

ANNUAL REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 SEPTEMBER 2022

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

Ms K Adamek Cholewa
Mr K Bahamdan
Dame R Carnall
Mr Z Dannaoui
Mr M Oh
Dr C B Patel
Mr D A Smith
Mr A Trickett
Mr J W Tugendhat
Mr A Whitman

REGISTERED OFFICE

C/O Maples Corporate Services Limited
PO BOX 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

BANKERS

Natwest plc
1 Bridge Street
Leatherhead
Surrey
KT22 8BT

Barclays Bank PLC
South East Corporate Banking Centre
PO Box 112
Horsham
West Sussex
RH12 1YQ

AUDITOR

KPMG LLP
Quayside House
110 Quayside
Newcastle-upon-Tyne
NE1 3DX

STRATEGIC REPORT

The Directors present their Strategic Report for the year ended 30 September 2022, which they have elected to prepare as if the UK Companies Act 2006 for such a report applied to them. HC-One Topco Limited ("the Company") acts as a holding company, which conducts corporate activities on behalf of the Company and its subsidiaries ("the Group"). The Group owns care homes which are managed by the operating subsidiaries HC-One Limited, HC-One No.1 Limited, HC-One No.2 Limited, HC-One No.3 Limited, HC-One No.4 Limited, HC-One No.5 Limited, HC-One Management Limited and HC-One No.6 Limited which provide dementia, nursing, residential and domiciliary care for the elderly in the UK.

This Strategic Report covers all Group entities, including 12 overseas entities, and all entities continue to be UK tax resident and file accounts (or statements) at Companies House in the UK (see note 13).

THE BUSINESS MODEL, OBJECTIVES AND STRATEGIES

As the Kind Care Company, the Group aims to be the first-choice provider for those we care for, their families, our colleagues, and commissioners. We strive to meet the evolving needs of the communities we serve and to ensure our care teams are rewarded for their skill and dedication. The Group operates c280 homes providing care to more than 13,000 residents.

Each year, the Board of the Company undertakes an in-depth review of the Group's strategy, including its business plan for the forthcoming five years. Once approved by the Board, the plan and strategy form the basis for the financial budgets and investment decisions, and the future strategic direction of the Group. The Annual Report demonstrates the progress being made on delivering on our strategy, investing at scale into vital state funded services with the support of our shareholders. Our £92 million refurbishment and upgrade programme across some 200 of our homes is the largest care home upgrade programme in the NHS and Local Authority funded care home sector in the UK and will ensure that our residents and colleagues can live and work in more specialised, comfortable homes, fitter for the future of care.

At the same time, the Group continues to invest in colleague pay and benefits, with carer pay rising by an average rate of over 10% during the past year. By contrast, senior management pay rose by 3% for the same period. The Group has also introduced new sector-leading career pathways that will support colleagues to become Home Managers, a Registered Nursing Associate or a Registered Nurse through an apprenticeship programme, and builds on a previously award-winning learning and development offering. Amongst critical sector-wide workforce pressures, the Group continues to support people across the UK to begin and develop their career in social care.

The advances made in colleague pay and the extensive upgrades to the homes themselves support the Group's continuing objective of enhancing quality across the organisation and delivering better care to our residents, particularly those with complex needs. The Group continues to have good relationships with social care regulators across each of the jurisdictions we operate in.

The Group owns c80% of all its properties and is well funded with a debt facility of £570m which is secured over the property assets by way of a mortgage with an equivalent loan to value ratio of 61.7% (as at 30 September 2022), giving the Group limited exposure to rising rents. This funding ensured financial stability during the unpredictable operating environment of the Covid pandemic and continues to support the Group during the current macro-economic conditions. In addition, the Company issued preference shares in 2021 as part of the wider Group refinancing and restructuring and these shares accrue interest at 10% which are accounted for as debt in accordance with UK GAAP. These shares will not pay dividends, with the shares plus accrued dividends to be repaid upon a successful sale of the Company. No dividends to shareholders were declared or paid by the Company in the year.

During the year, the Group undertook a corporate simplification exercise, with the aim of reducing the number of legal entities in the group structure. This has resulted in the number of companies in the Group reducing from 81 to 37. A detailed structure chart of the Group is available on our website.

Rising inflation, sustained pressure on Local Authority fee rates and the lasting effects of the Covid pandemic on occupancy levels mean that these remain exceptional times for all care home providers including the Group. As a result, the Group reported an operating loss of £6.1m down from a previous operating profit of £0.4m in 2021. The Group remains fully funded and will continue investing to ensure that everyone who lives and works in our care homes can lead their best lives.

REVIEW OF BUSINESS

As at 30 September 2022 the Group provided nursing and residential care to more than 13,000 residents across c280 care homes in the UK (2021: 14,000 residents across 319 care homes in the UK).

At 30 September 2022 the Group's property portfolio was valued at £864.3m (2021 £933.2m) which consists of:

a) 251 (2021: 277) operating properties of which 104 (2021: 105) properties are subject to 175-year term
b) 1 owned residential property (2021: 1)
c) 2 land sites owned (2021: 2)
d) 39 leased and managed properties (2021: 42).

STRATEGIC REPORT (Continued)

RESULTS

The Group's operating loss for the year ended 30 September 2022 amounted to £6.1m (2021: operating profit £0.4m). Further details are shown in the consolidated profit and loss account on page 21. Also, set out in the table below is a reconciliation of operating (loss)/ profit to underlying EBITDA of the Group:

	For the year ended 30 September 2022 £'000	**For the year ended 30 September 2021 £'000**
Operating (loss)/ profit	(6,103)	428
Depreciation of tangible fixed assets (note 12)	52,286	46,988
Amortisation of goodwill (note 11)	1,173	1,176
Amortisation of negative goodwill (note 11)	(8,659)	(5,474)
Amortisation of capital grant	(319)	(389)
Amortisation of other intangible fixed assets (note 11)	3,525	2,614
Exceptional costs:		
- Impairment of tangible fixed assets (note 9 and note 12)	1,993	8,813
- Restructuring costs (note 9)	4,087	965
- Onerous lease provision (note 9)	1,326	755
- Exceptional COVID-19 costs (note 9)	1,846	2,725
- Exceptional agency premium costs (note 9)	11,958	-
Underlying EBITDA*(before exceptional costs)	**63,113**	**58,601**

*EBITDA is earnings before interest receivable and similar income, interest payable and similar expenses, tax, depreciation, amortisation, impairment, onerous lease provision, loss on disposal of tangible fixed assets, loss arising from fair value of interest rate swap hedges and exceptional costs.

During the year ended 30 September 2022 the Group incurred total interest payable and similar charges of £96.4m (2021: £99.2m).

The Group's operating cash flow after finance costs for the year ended 30 September 2022 was a cash outflow of £2.4m (2021: a cash inflow of £23.9m) (see table below). At 30 September 2022 the Group had net liabilities of £69.8m (2021 net assets: £23.3m).

	2022 £'000	**2021 £'000**
Cash flows from operating activities (see cash flow statement)	31,586	56,435
Interest received (see cash flow statement)	21	27
Financing costs (see cash flow statement)	(33,984)	(32,588)
Operating cash flow after finance costs	**(2,377)**	**23,874**

STRATEGIC REPORT (Continued)

KEY PERFORMANCE INDICATORS

The key performance indicators (KPIs) used by the Group to measure the financial and operational performance of its operating business include average occupancy, self-pay occupancy, average weekly fees, payroll costs per resident per week and EBITDAR at home level. See below the performances and key achievements of the operating business for the year ended 30 September 2022:

- Average occupancy 80.5% (2021: 78.7%), 1.8% higher than prior year;
- Self-pay occupancy 23.2% (2021: 22.5%), 0.7% higher than prior year;
- Average weekly fee rate £854 (2021: £792), 7.8% higher than prior year;
- Payroll costs per resident per week £590 (2021: £578), 2.1% higher than prior year;
- Home EBITDAR* 16.5% (2021: 18.5%), 2.0% lower than prior year;
- Underlying Home EBITDAR per occupied bed £5,950 (2021: £6,302), 5.6% lower than prior year.

*Home EBITDAR is earnings before interest receivable and similar income, interest payable and similar expenses, tax, depreciation, amortisation, rent, impairment, onerous lease provision, profit on disposal of tangible fixed assets and exceptional costs.

FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Directors of the Company have overall responsibility for the Group and its subsidiaries in assessing risk and taking appropriate action. Accordingly, the Group risks and policies also apply to the Company.

Credit risk

The Group's principal assets are bank balances and cash, trade and other receivables and tangible fixed assets.

The Group's credit risk is primarily attributable to its trade receivables. Trade receivables are reviewed on a regular basis to ensure they are collectable. The amounts presented in the balance sheet are net of allowances for doubtful receivables, estimated by the Group based on previous experience and assessment of the current economic climate. Also, risk is spread over a large number of customers. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Liquidity risk

The Group has continued to maintain liquidity and sufficient working capital for its ongoing operations and future developments. All committed facilities are monitored and maintained regularly ensuring that all future improvement programmes are met. See accounting policies note 1 for further details.

Price risk

The Group faces uncertainties in relation to average weekly fee increases for the provision of care services in the care homes operated by HC-One Limited, HC-One No.1 Limited, HC-One No.2 Limited, HC-One No.3 Limited, HC-One No.4 Limited, HC-One No.5 Limited, HC-One Management Limited and HC-One No.6 Limited. The average weekly fee rates are also driven by the number of residents funded by Local Authorities and by private fee payers.

Interest rate risk

The Group finances its operations through called-up share capital and external debts. The interest rate applicable to the external debt of £532.9m is fixed at 12% per annum.

STRATEGIC REPORT (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES

The Group's activities are exposed to a number of operational risks, which are listed below:

Reputational Risk

Any serious incident relating to the provision of care services could result in negative publicity and increased scrutiny from regulators, residents and families.

In order to mitigate this risk, the Group delivers employee training via a multi award winning mandatory and specialist Learning and Development programme, has independent quality inspectors, carries out a Disclosure and Barring Service check on all care staff and monitors compliance with an industry best electronic system. The Group also has clear governance processes to report on risks and incidents, and then implements learnings from those events to mitigate the risk of future incidents.

Regulatory Risk

The Group's operations are subject to an increasingly high level of regulation and scrutiny by various regulators across the UK. Inspections are largely unannounced and often involve several inspectors per home visit. The failure to meet the appropriate national regulations could lead to a service being placed under special measures, being subjected to enforcement notices or possibly forced to close.

To mitigate this risk, the Group has a team of internal inspectors who operate using an intelligence-based internal inspection framework to continually monitor compliance to internal quality measures and external regulations. The internal inspections are shared with home managers and their line managers, and progress against subsequent required actions is reviewed by both line management and our inspectors. Quality measures, including Key Clinical Indicators, are monitored on a weekly basis, with management interventions where appropriate. The Group also monitors complaints, incidents and safeguarding concerns, with a robust framework in place to assess, investigate, resolve and most critically learn and apply across the Group.

Colleague Capacity and Competency

There is a risk of not recruiting or developing the right calibre of leadership and/or not developing the core competencies needed to manage an organisation of the Group's scale and complexity. There is also a risk of not having the correct resources in place and establishing the level of carer, manager and clinical capacity and capability, for the unique and personalised levels of care our residents need and/or for which we are commissioned.

We have added to our leadership capability in recent years, enabling the cultural changes required to attract even more talent, from inside and outside of the sector. Our focus on personal and professional, rooted in trust-based Growth Conversations, are enabling us to invest in the skills, knowledge and experience we need for today and for the future. Our overseas nursing programme is a key channel to bringing in additional nursing skills, as we invest in our clinical capability, in areas such as our Nursing Assistant Programme. Monitoring of Key Clinical Indicators gives management the view of acuity and changing care needs, such that changes can be made to the care model as required. Flexibility, rooted in personalised care and requiring flexible working practices, is behind our investment in FlexForce, an innovative contract which creates consistent monthly income, wrapped in the deployment of hours flexibly across days and Homes. This, combined with the push to anchor decisions on resource allocation in our Homes, will integrate more flexible practices for delivering care and working practices.

Property Risks

Property risks include the risk of major fire, legionella outbreak, other loss of buildings and major equipment failure. The impact of a major fire could endanger lives of our residents and colleagues. The effect of loss of buildings and/or major equipment failure may result in significant disruption to care service provided.

External fire risk assessments are completed every two years with an internal review carried out in between. This highlights any fire risk concerns, be that physical aspects of the building or elements of operational control. Full compliance is targeted for all statutory pre-planned maintenance activities, and this includes fire alarms and gas certification. A programme of colleague training is in place to ensure colleagues are adequately equipped to deal with fire emergencies but also they are aware of things that may result in fire. Legionella testing and compliance programme is in place in all homes.

A significant and comprehensive pre-planned maintenance schedule exists for all major pieces of equipment. Much of this is legally driven and full compliance is the target. The Group has various contingencies in place for a variety of major equipment failure.

Recent events affecting the supply of energy may now lead to the risk of planned or unplanned blackouts, and although considered to be unlikely this is now a risk. This is mitigated through various business continuity plans and also having the ability to source generators at short notice.

STRATEGIC REPORT (Continued)

PRINCIPAL RISKS AND UNCERTAINTIES (Continued)

Changes to Commissioning

Changes to national Adult Social Care funding arrangements, legislation or changes to levels of council/National Health Service funding, in relation to how an individual funds their care, could have a material impact on our business model operations and Group profitability.

The Group has quality processes and arrangements, which support us to be the first choice provider in the communities we serve, to ensure continued demand, regardless of funding and system changes. The Group continues to lobby through national, regional and local Care Associations and partner with professional bodies. The Group monitors and contributes to Government research, working groups and consultation exercises.

Following an announcement in the government's Autumn Statement 2022, the planned adult social care charging reforms are now delayed until October 2025.

Potential future pandemics

The impact of a pandemic, like COVID-19, is demonstrably a major risk for those we care for and for the Group's finances and ability to deliver its long-term goals.

We continue to work with the Department for Health and Social Care, enabling us to proactively prepare for such events. The Group also has local NHS partnerships and strong relationships with colleague union representatives. Significant emphasis is placed on cost control and cash flow, due to the financial impact of any home going into outbreak and unable to accept admissions. Furthermore, the Group performs scenario analysis and modelling of forecasts and cash flows for next five financial years.

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006

The board of directors of HC-One Topco Limited consider, both individually and collectively, that they have acted in the way they consider, in good faith, would be most likely to promote the success of the Group for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172 (1)(a-f) of the Act) in the decisions taken during the year ended 30 September 2022.

The following paragraphs summarise how the Directors' fulfil their duties:

Our purpose, strategy and consideration of the consequence of decisions for the long term
Our purpose is to be The Kind Care Company, supporting those in our care to lead their best life. In setting our purpose, our mission is being the first choice for Families, our Colleagues and our Commissioners, serving at the heart of each of our communities.

Each year, the Board undertakes an in-depth review of the Group's strategy, including its business plan for the forthcoming five years. Once approved by the Board, the plan and strategy form the basis for the financial budgets and investment decisions and also the future strategic direction of the Group.

Engaging with our stakeholders
The Board recognises its responsibility to act fairly between all stakeholders of the Group and its decisions are based on the best long-term interest of stakeholders, considering the balance of financial and operation risk compared with the potential financial returns.

Residents and Relatives
Our purpose is to be The Kind Care Company, supporting those in our care to lead their best life. We pride ourselves in the privilege of caring for our residents on a daily basis, 24/7 and we maintain continuous dialogue and relationships with relatives of our residents. Our residents and relatives have the right to expect the highest quality care and service at a price that represents value for money. We want to lead the sector in listening to families, learning and handling any complaints.

STRATEGIC REPORT (Continued)

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (Continued)

Our People
Our people are critical to delivering the Group's strategy and our purpose to support those in our care to lead their best life. This will happen as a direct result of our colleagues believing that we are the most fulfilling place to work in the sector. Our Kind Care model, rooted in a deep understanding of what kind care means to our residents, families and colleagues, is at the heart of our culture and integral to our business model. Core to achieving this is our focus on rewarding and recognising our colleagues, supporting colleague's personal and professional growth, and creating pathways to enjoying long-term careers in the sector.

A deep connection with every colleague, each feeling a meaningful sense of belonging to our organisation, trust in our leadership and believing they can bring their full and best selves to work, are core to the culture we are nurturing.

Investors
The Board is committed to openly engaging with its shareholders, as it recognises the importance of a continuing and effective dialogue. The Chief Executive Officer, Chief Financial Officer and other members of the Executive team engage with the investors on a monthly basis at Board meetings, so as to provide regular guidance and transparent information, in order for investors to have a good understanding of the business and visibility of their return on investment. It is important to the Board that shareholders understand and help to shape the Group's strategy and objectives. Monthly Board meetings provide for effective governance of the Group and the opportunity for management to be challenged, questioned, and encouraged, to ensure the effective execution of the Group's strategy, allocation of capital and resource, and return on investment.

Lenders and landlords
Access to cash and debt is essential for the Group to be able to execute its strategy. The Board is committed to having a positive, transparent and engaging relationship with its lender and landlords on an ongoing basis. The Board provides monthly, quarterly and annual updates to its lender, aligned to relevant facility documents, as well as being engaged in open dialogue and regular progress updates.

Commissioners
Our commissioners are imperative to the Group and its ability to execute its strategy. The Group strives to be the first choice for our commissioners and to be sought out as a partner of choice. The Group is committed to developing and maintaining strong relationships with our commissioners, through regular meetings, discussions and negotiations. The Group endeavours to be a trustworthy partner and key component of the local health and social care landscape.

Our Suppliers
Our suppliers and business partners are essential in delivering high-quality services to our residents. To do this, we need to develop and maintain strong relationships and provide regular communication through feedback and performance reviews. We value all our suppliers and have multi-year contracts with key suppliers. We understand the requirement for our suppliers to feel assured of the creditworthiness of their customers and we work closely with each of them to deliver a mutual desired outcome in terms of payment practices.

Our Regulators
The Group operates in a highly regulated environment and it is vital that the quality of care provided to our residents is tailored to each and every resident's needs. Our regulators inspect each of our homes and report as to whether they are deemed to be compliant. Any weaknesses in compliance are taken extremely seriously by the Board, the Executive and the individual care home. The operations and quality teams work together with each regulator to ensure rapid corrective action. The Group also has its own internal inspection regime, which is continually assessing our homes to the same high standards as external regulators. Our regulators need to feel assured that high quality care is being provided in every care home and that regulations and procedures are being complied with, in order to mitigate any risks to our residents.

STRATEGIC REPORT (Continued)

STATEMENT BY THE DIRECTORS IN PERFORMANCE OF THEIR STATUTORY DUTIES IN ACCORDANCE WITH S172(1) COMPANIES ACT 2006 (Continued)

Community and Environment

The Group's mission is to be the first choice for Families, our Colleagues and our Commissioners, serving at the heart of each of our communities. The Board endeavours to ensure that the business acts ethically and in an environmentally conscious manner. The Group strives to meet the care needs of our communities and ensure that each and every one of our homes provide a safe, homely, friendly and fun place to be, along with ensuring a positive impact to the community in which they sit. Each of our care homes hold open days, family days and engage with various local Groups, for example, schools and churches, when it is safe to do so. This helps the communities not only to engage with the residents in our care but also to give a sense of purpose, fun and coming together, though it is important to note that such activities have been restricted during the pandemic.

EMPLOYEE VOICE

The Group is committed to both the principle and realisation of equal opportunities regardless of age, disability, ethnicity, race, religion or belief, sex, sexual orientation, gender reassignment, marriage and civil partnership, pregnancy and maternity or any other characteristic protected by law. It is the aim of the Group to provide rewarding and progressive careers for colleagues, as well as to attract people of the highest calibre. The Group provides learning via a multi award winning series of Learning and Development programmes, is building clinical and non-clinical career pathways and continually innovates in the area of pay and benefits. In addition to remuneration, all staff are eligible to be nominated for a 'Kindness in Care Award', acknowledging and celebrating individuals and teams within our care homes that always 'go the extra mile' to deliver the kindest care.

We are also invested in our relationship with the GMB, which is important for colleagues who choose to be represented by a Trade Union. We view this relationship as one amongst many, where we seek to build strong stakeholder networks, encompassing the views, and insights of all colleagues. The voice of our colleagues is also captured through our FUSE Forums and our Colleague Surveys, these being core parts of our goal to be a truly listening and learning organisation, where colleagues thrive and whose voices are shown to matter.

The table below provides a breakdown of the gender of Board members, senior management and employees at the end of the financial year:

	Males	Females
Board members	8	2
Senior Management	7	6
Group employees	2,979	17,400

DISABLED EMPLOYEES

Applications for employment by disabled persons are always fully considered, bearing in mind the abilities of the applicant concerned and requirements of the role. The Group operates an Occupational Health service which helps to provide support in identifying potential reasonable adjustments to accommodate colleagues needs. In the event of members of staff becoming disabled every effort is made to ensure that their employment with the Group continues, reasonable adjustments are explored, and that appropriate training is arranged. It is the policy of the Group and of the Company that the training, career development and promotion of disabled persons should, as far as possible, be equitable to that of all employees.

CORPORATE SOCIAL RESPONSIBILITY

The Group maintained its responsibility and sustainability approach towards residents, employees, the environment and the community. The Group is committed to the long-term sustainability of the business operations, through the delivery of policy and programme, and has started work on a clear Environmental, Social and Governance Strategy to be published in 2023.

Quality and Health & Safety

The Group is committed to delivering a healthy and safe workforce and minimises impact to the environment. This includes formal training programmes and risk assessments. The Quality and Safety Committee provides leadership and direction to the Group and covers the three vital components needed to support the provision of kindest care, Safety, Quality and Compliance with statutory duties and regulatory standards. The Quality and Safety Committee meets quarterly to review health and safety, safeguarding and clinical quality issues and risks across the business; this Committee is supported by the monthly Clinical Governance Group.

STRATEGIC REPORT (Continued)

CORPORATE SOCIAL RESPONSIBILITY (Continued)

Residents and Employees

The Group is committed to challenging discrimination and harassment and promoting equality for all. The Group is also committed to ensuring that the environment for the workforce and residents is free from harassment and bullying and every individual involved is treated with respect and dignity.

Human rights

The Group believes in individual human rights. The Group is committed to supporting human rights through the compliance with law and regulations in all aspects of policies and business operations.

Environment

The Group recognises the importance of good environment practice:

- The Group has maintained its effort to purchase goods and services with the least environmental impact. The Group continues to improve waste conversion and recycling collections.
- Refurbishment works undertaken by the Group where possible, have considered the use of low energy lighting, use of new hot water and heating systems at higher efficiency and other energy savings schemes.

The Group is committed to improving further the environment it operates though objectives and target setting and these will be developed further in the forthcoming Environmental, Social and Governance strategy in 2023.

Community

Community integration is a central part of the Group's care home operation. The Group achieves positive community integration through developing strong links with local groups, churches, sheltered housing and assisted living developments, schools and charities.

STREAMLINED ENERGY AND CARBON REPORTING ("SECR"):

The energy used by the Group in the year ended 30th September 2022 is as follows:

Consol				
Energy Type	Number	Type	kgCO2e	%
Elecricity	55,324,265	kwh's	19,447,506	39.3%
Natural Gas	155,587,846	kwh's	28,653,058	57.9%
Transport	3,267,172	Miles	959,240	1.9%
Heating Oil	134,380	Ltrs	397,325	0.8%
Total			49,457,129	100%
Beds	18,997		2,603	
Power Generation				
Power from Solar	260,454	kwh's	91,554	
Total			91,554	

The associated CO2 emissions amounted to 49,457,129 Kilograms. The intensity measure used by the Group is Kilograms of CO2e per registered bed. On this measure, the intensity value for the year ended 30th September 2022 is 2,603kgCO2e per registered bed. The data has been collected and provided by an external energy management company who manage the Group's energy billing, reporting, data and cost validation on a day to day basis.

The Group takes its impact on the global climate seriously, recognising the importance of good environmental practice. Where possible, the Group is committed to adopting energy efficiency measures to help reduce its impact on climate change and also recognises the need to increase the focus on sustainability within a 24-hour 365-day operation. A strategy aimed towards achieving Net Zero Carbon is now incredibly important. Energy efficiency measures taken during the year include the installation of many new highly efficient boilers to replace aged equipment, LED lighting, modern heating controls and optimised controls of lighting and plant rooms. Plans are currently underway to look at ensuring all homes have the right levels of loft and wall insulation and that windows are adequately glazed. The business has now made the decision to begin the long process of phasing out gas within kitchens and replacing with electric. Dependent upon the cost of energy and the subsequent impact upon payback periods solar PV installations on care home roofs are currently being explored alongside other newer innovations such as air source heap pump dryers to replace gas.

STRATEGIC REPORT (Continued)

EVENTS AFTER THE BALANCE SHEET DATE

Details of significant events since the balance sheet date are contained in note 27 to the financial statements.

FUTURE DEVELOPMENTS

The Group continues to invest heavily in its portfolio and workforce to ensure it offers the best possible environments through which it can deliver high quality and kind care. The Group aims to be the first-choice care home provider in each community that it serves. To do this, the Group will continue to develop relationships with Local Authority and NHS Commissioners to be a trusted partner within increasingly integrated and area specific health and social care systems.

The successful refinancing in 2021 enabled the Group to further improve the environments we provide through individual home refurbishments, and this work will continue over the coming two to three years. The Group also continues to review the portfolio to identify those homes that are best served by more local operators. The sale of such homes will continue to enable partial repayments of the Group's debt. Property valuations have remained resilient during the pandemic, and we expect this to remain the case in the year ahead. In addition, the Group remains focussed on identifying the careful addition of modern new homes that will appeal to both private and publicly funded residents and further enhance the attractiveness of the assets to residents, families and commissioners.

Both the pandemic and the subsequent macro-economic environment have impacted significantly on occupancy levels across the social care sector, alongside the staff shortages which have been widely reported across the sector, including the Group. We will continue to invest in the training and welfare of our colleagues, and reward colleagues at increasing average pay levels as we seek to improve retention and recruitment alongside reducing the reliance on agency. This approach will also support our objective of providing externally recognised high quality care to all of those in our care.

The increase in payroll costs, allied with the widely reported high inflation levels being seen in energy, food and other key costs, as well as the emerging costs of carbon reduction, will inevitably lead to an increase in the fee rates we charge to residents. We will continue to play a leading role in this debate and work with Local Authorities, the NHS and other key stakeholders to drive a more integrated approach for providing health and social care to an increasingly older population with higher acuity.

GOING CONCERN

In assessing the basis of preparation of the financial statements for the year ended 30 September 2022, the Directors use the Group's anticipated future cash flows and undertake a range of sensitivities to identify any plausible situations which could put pressure on the Group's ability to continue as a going concern. In challenging the Director's assessment in respect of the going concern statements, which were based on anticipated future cash flows agreed by the Board as part of the Group's planning process, the Directors focused on the Group's headroom within its financial covenants and the liquidity available in the Group. The period of assessment is considered to be at least 12 months from the date of approval of these financial statements.

As at 30 September 2022, the Group's principal facility is a loan of £570.0m, which consisted of £540.0m towards repayment of existing Group indebtedness and a further facility of £30.0m available for draw down to fund working capital and capital expenditure. No financial covenants are tested within the period to 30 September 2022 and there is no amortisation during the term of the loan. Financial covenant testing commences on 30 June 2023 with a leverage ratio of 8.50; a debt service cover ratio of 1.10 and a minimum cash balance of £16m.

STRATEGIC REPORT (Continued)

GOING CONCERN (continued)

The Directors have undertaken a rigorous assessment of going concern and liquidity, taking into account financial forecasts, as well as the potential impact of key uncertainties and sensitivities on the Group's future performance. In making this assessment the Directors have considered the Group's existing debt levels, the committed funding and liquidity positions under its debt covenants, its ability to generate cash from trading activities and its working capital requirements. The Directors have also identified a series of mitigating actions that could be used to preserve cash in the business should the need arise.

The basis of the assessment continues to be the Board-approved business plan. The business plan is prepared annually for the next five-year period and is based on a bottom-up approach to all of the Group's existing operations, potential new operations and administrative functions. As part of the planning process, consideration was given to the ongoing impact of Covid-19, occupancy growth, fee pricing, labour usage and labour pricing.

Due to the limited adverse impacts of Covid-19 on the Group's trading, the Directors believe that appropriate sensitivities in assessing the Group's ability to continue as a going concern are to model reductions in occupancy growth; lower fee increases; increased labour usage; and increased labour pricing. The Directors believe that a stress test of these sensitivities to assess the headroom available under the Group's debt covenants and available liquidity provides meaningful analysis of the Group's ability to continue as a going concern. Based on the headroom available, the Directors are then able to assess whether the reductions required to breach the Group's financial covenants, or exhaust available liquidity, are plausible.

This stress test shows that, even after assuming a reduction in occupancy growth; lower fee increases; increased labour usage; and increased labour pricing, the Group can still retain sufficient liquidity to meet all liabilities as they fall due and remain compliant with the Group's financial covenants.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Mr D Smith
Director
29th March 2023

Registered office address:
C/O Maples Corporate Services Limited
PO BOX 309
Ugland House
Grand Cayman
KY1-1104, Cayman Islands

DIRECTORS' REPORT

The Directors present their Directors' Report for the year ended 30 September 2022 which they have elected to prepare as if the UK Companies Act 2006 for such a report applied to them.

CORPORATE STRUCTURE

HC-One TopCo Limited (formerly Skyfall 2021 Limited") ("the Company") is a private company limited by shares and was incorporated in the Cayman Islands on 9 April 2021 under company registration number 374184 (or UK company registration number FC038602). The financial statements reflect the acquisition of 100% of the issued share capital of HC-One TopCo No.1 Limited (formerly FC Skyfall TopCo Limited") on the 27 April 2021, executed by a share for share exchange with no change in the respective rights of the shareholders. The registered office address is given on page 1.

The Directors regard Skyfall LP, a limited partnership incorporated and registered in the Cayman Islands, as the ultimate parent undertaking. The ultimate controlling party, beyond Skyfall LP, is Skyfall GP Limited, a company incorporated in Cayman Islands.

Skyfall LP is predominantly backed by funds from Safanad Limited, a global investment firm that invests in property, private and public markets.

In accordance with FRS102, the results of the group have been prepared using merger accounting principles applicable for group reconstructions. Under merger account the results and the cash flows of the group are combined from the beginning of the financial period in which the merger occurred. This is the first year a consolidated financial statement was prepared by HC-One TopCo Limited and its subsidiary undertakings. The Strategic report and Directors' report have been completed for the group as if it has always existed.

PRINCIPAL ACTIVITY

HC-One Topco Limited ("the Company") acts as a holding company, which conducts corporate activities on behalf of the Company and its subsidiaries ("the Group"). The Group owns care homes which are managed by the operating subsidiaries HC-One Limited, HC-One No.1 Limited, HC-One No.2 Limited, HC-One No.3 Limited, HC-One No.4 Limited, HC-One Management Limited, HC-One No.5 Limited and HC-One No.6 Limited which provide nursing, residential and domiciliary care for the elderly in the UK. The Group also owned Hailsham House and Operations Limited and Kettlewell House and Operations Limited, prior to their sale on 30th September 2021.

On 27th April 2021, the date of the refinancing of the Group, HC-One Topco Limited acquired 100% of the issued share capital of FC Skyfall Turnaround Holdings Limited Group from the former parent company, FC Skyfall SPV Limited and certain management shares on a share for share exchange.

The Directors intend to continue these activities in the forthcoming year.

Details of disabled employees' policy and of the principal risks and uncertainties, including financial and credit risks, are provided within the Strategic Report.

EMPLOYEE CONSULTATION

Details of employee consultation can be found in the Strategic Report on pages 2-11 and part of this report by cross-reference.

FUTURE DEVELOPMENTS AND EVENTS AFTER THE BALANCE SHEET DATE

Details of future developments and events that have occurred after the balance sheet date can be found in the Strategic Report on pages 2-11 and form part of this report by cross-reference.

BOARD COMPOSITION

The board of HC-One Topco Limited comprises of ten directors whose biographies are shown below. The board meets on a quarterly basis with all board members receiving a board report prior to each meeting including financial and operational information. On the basis that most of the strategic direction, financial performance and risk management of the Group are the responsibility of HC-One TopCo Limited.

DIRECTORS' REPORT (Continued)

BOARD COMPOSITION (Continued)

DIRECTORS

The Company's Directors, who served throughout the year and to the date of signing, were as follows:

Directors	
Ms K Adamek Cholewa	Ms Adamek Cholewa was appointed as a Director in October 2021. Ms Adamek Cholewa serves as the Co-Head of the Portfolio and Asset Management team at Madison International Realty,. with responsibility for the asset management of Madison's domestic and international investment portfolio. Ms Adamek Cholewa graduated with an MBA from New York University and a BS in Finance from Northern Arizona University.
Mr K A Bahamdan	Mr. Bahamdan was appointed as a director in April 2021. Kamal Bahamdan is the Founder and Chief Executive Officer of Safanad. Since 2002, Mr. Bahamdan has also been the CEO of the Bahamdan Group, a global investment holding group, where he is responsible for expanding its activities from a largely industrial base into telecommunications, education, infrastructure and retail across the MENA region by building investment and operating platforms. Prior to that, he was co-founder and managing partner of the BV Group, a private equity investment firm formed in 1995, focused on technology and real estate investments, and operating in the US, Europe and Asia. Mr. Bahamdan is a five-time equestrian Olympian and a bronze medalist in the 2012 Olympic Games. He was named a Young Global Leader 2006 by the Forum of Young Global Leaders, an affiliate of the World Economic Forum. Mr. Bahamdan is a graduate of Boston University with a B.Sc. degree in Manufacturing Engineering.
Dame Ruth Carnell	Dame Ruth was appointed as Director in September 2022. Dame Ruth has over 40 years' experience in health care at some of the highest levels of executive and strategic leadership, including seven years as Chief Executive of NHS London, where she oversaw a significant transformation programme. A well-known leader in independent consultancy, with extensive Board experience, Dame Ruth has provided strategic advice to leaders in health and care at national, regional, and local levels both in the UK and overseas. She has served as a Non-Executive Director of the Cabinet Office Board and is currently Vice Chair of healthcare think tank, The King's Fund. Ruth was made a Dame Commander of the British Empire in 2011 for her achievements in health care.
Mr Z Dannaoui	Mr Dannaoui was appointed as Director in April 2021. Mr Dannaoui holds a LLM degree in Law from the James E. Rogers School of Law and LLB in law from the Holy Spirit University school of Law. After practising law as managing partner with a Middle-Eastern regional law firm, he has held several senior management positions with global investment firms.
Mr M Oh	Mr Oh was appointed as Director in April 2021. Mr Oh is a Director on the Private Equity team at Safanad, Inc. and is focused on investments across healthcare and other sectors. Mr. Oh holds a B.A. degree, cum laude, in Mathematics from Dartmouth College and an M.B.A. degree from Harvard Business School.
Dr C Patel	Dr C Patel was appointed as a director in April 2021. Having joined HC-One Ltd as Chairman in September 2011. Prior to joining the Group, Dr Patel was a CEO and architect of the modern Priory Group, the UK's largest independent specialist mental health and education services group, CEO of Westminster Health Care Ltd and CareFirst. Dr Patel has over 30 years' experience in health and social care and has led and advised some of the largest care providers in the UK. Dr Patel is also the Founder Chairman of Elysian Capital a UK mid-market Private Equity partnership managing Elysian Capital Funds 1 & 2. Dr Patel is a Fellow of the Royal College of Physicians. Dr Patel was awarded a CBE in 1999.
Mr D Smith	Having joined HC-One Ltd as Finance Director in 2011, Mr Smith was appointed as a statutory director in 2015. Mr Smith is a Chartered Accountant with over 17 years' experience in the social care sector. Mr Smith's experience includes several refinancing transactions, acquisitions and disposals of multiple companies, implementation of capital structures and equity raising. Previously Mr Smith spent ten years at PriceWaterhouseCoopers working in the UK, Saudi Arabia and the US.

DIRECTORS' REPORT (Continued)

BOARD COMPOSITION (Continued)

Directors (Continued)

Mr A Trickett	Mr. Trickett was appointed as a director in April 2021. Andrew Trickett is Head of Investments and Member of the Executive Committee at Safanad. Mr. Trickett previously held the position of Senior Managing Director, Investments, at Oxford Properties Group, where he was responsible for acquisitions, dispositions and global new business development. Prior to joining Oxford, Mr. Trickett was a Senior Vice President with the Redbourne Group and he has also held several senior positions at Deutsche Bank and the Toronto Dominion Bank. He has been involved in significant international real estate transactions and has a track record in excess of US $20 billion. Mr. Trickett holds a BComm. degree from Queen's University in Ontario, Canada and has completed various executive education programs at Harvard Business School.
Mr J Tugendhat	Mr Tugendhat joined HC-One and was appointed a Director in September 2020. James is also a non-executive director of Royal Free London NHS Foundation Trust, a post held since January 2018. Prior to joining the Group, James was Managing Director of Bright Horizons Family Solutions, a global market leader in early years' care, where he managed over 10,000 employees, operating across 400 sites in five countries. Before that he spent more than 10 years in healthcare, including three years based in Boston, as chief executive of Health Dialog, a pioneer of population health and chronic disease management. Over his career, in addition to holding various management positions in divisions of BUPA, which acquired Health Dialog, he has held leadership roles in the consumer sector at Diageo and Method.
Mr A Whitman	Mr Whitman was appointed as Director in April 2021. He is the founder and Chairman of Formation Capital, a leading equity investor in the senior housing and care industry, and Co-Chairman of Genesis HealthCare. Most recently, he has become a partner in Aging2.0, a platform for innovation and technology for seniors. For over 15 years, Mr. Whitman has strategically led Formation Capital in its growth and execution of over $6 billion in transactions. Mr. Whitman serves on the board of Trident USA Health Services. He is also a current board member and Chairman Emeritus of the National Investment Centre for Seniors Housing and Care Industries (NIC). His other interests in the "seniors" business include being a Principal in Primecare Properties, and a board member of Care Institute. Mr. Whitman's career has allowed him extensive speaking engagements both domestically and internationally. He has written and been featured in many publications including National Real Estate Investor, McKnight's Long Term Care News, SeniorCare Investor, Contemporary Long Term Care, Assisted Living Today, Modern Healthcare and Real Estate Forum.
Sir D Behan	Sir Behan was appointed in April 2021 and resigned in December 2021.
Mr J A Ransford	Mr. Ransford was appointed as a director in April 2021 and resigned in March 2022.
Mr S Fishman	Mr. Fishman was appointed as a director in April 2021 and resigned in November 2021.

THIRD PARTY INDEMNITY PROVISIONS

The Company has made qualifying third party indemnity provisions for the benefit of the Company's Directors and the directors of all its other subsidiaries, which were made during the year and remain in force to the date of this report.

POLITICAL CONTRIBUTIONS

The Group and the Company made no political donations during the year (2021: £nil).

DIVIDENDS

The Company has declared and paid dividend for a total sum of £nil during the year.

AUDITOR

Each of the persons who is a Director at the date of approval of this report confirms that:

1) so far as the Director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
2) the Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006 applicable to overseas companies.

COMPLIANCE WITH WALKER GUIDELINES

The Directors consider the annual report and financial statements to comply with all aspects of the Guidelines for disclosure and transparency in Private Equity.

Approved by the Board and signed on its behalf by:

Mr D Smith
Director
29th March 2023

Registered office address:
C/O Maples Corporate Services Limited
PO BOX 309, Ugland House
Grand Cayman, KY1-1104, Cayman Islands

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STATEMENT OF DIRECTORS' RESPONSIBILITES IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors of HC-One Topco Limited ('the directors') are responsible for the preparation of consolidated financial statements for the year ended 30 September 2022 in accordance with the requirements of the UK Companies Act 2006 as applicable to overseas companies, which are intended by them to give a true and fair view of the state of affairs of the group and of its profit or loss for that period. In addition, they have elected to present parent company financial statements, including the associated notes as if the UK Companies Act 2006, including the exemption from presenting the parent company profit and loss account under s408, applied to the company, which is intended to give a true and fair view of the state of affairs of the parent company. They have decided to prepare the financial statements in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland.*

In preparing these financial statements, the directors have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable UK accounting standards have been followed; subject to any material departures being disclosed and explained in the financial statements;
- assessed the group and company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- used the going concern basis of accounting unless they either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

In addition, they have elected to prepare both a Strategic Report and a Directors' Report as if the UK Companies Act 2006 for such reports applied to them.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO HC-ONE TOPCO LTD

Opinion

We have audited the financial statements of HC-One Topco Limited ("the company") for the year ended 30 September 2022 which comprise the Consolidated Profit and Loss Account, the Consolidated Statement of Comprehensive Income, the Consolidated and Company Balance Sheets, the Consolidated Statement of Changes in Equity, the Company Statement of Changes in Equity, the Consolidated Cash Flow Statement, and related notes, including the accounting policies in note 1.

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the company's affairs as at 30 September 2022 and of the group's loss for the year then ended; and
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the UK Companies Act 2006, as if those requirements were to apply.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and the terms of our engagement letter dated 21 January 2022. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the company in accordance with, UK ethical requirements including the FRC Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Other matter

We note that the company did not previously prepare consolidated financial statements. Consequently ISAs (UK) require the auditor to state that the corresponding figures contained within the consolidated financial statements are unaudited. Our opinion is not modified in respect of this matter.

Going concern

The directors have prepared the financial statements on the going concern basis as they do not intend to liquidate the group or the company or to cease their operations, and as they have concluded that the group and the company's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over their ability to continue as a going concern for at least a year from the date of approval of the financial statements ("the going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the group and company's business model and analysed how those risks might affect the group and company's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate;
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the group's or the company's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the group or the company will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO HC-ONE TOPCO LTD (Continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, and the audit committee, as to the group's high-level policies and procedures to prevent and detect fraud, including the group's channel for "whistleblowing," as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board minutes.
- Considering remuneration incentive schemes and performance targets for senior management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets, and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular:

- the risk that group management may be in a position to make inappropriate accounting entries;
- the risk of bias in accounting estimates and judgements such as the valuation of properties within the group; and
- the risk that fee income is misstated through recording revenues in the wrong period.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted to cash accounts, finance expenses and rental expenses, with a corresponding entry in unusual accounts;
- Evaluated the business purpose of significant unusual transactions;
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias;
- Identifying revenue transactions posted prior to and after the year end and tracing these transactions to appropriate supporting documentation to verify the service was recognised in the correct period.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general commercial and sector experience, and through discussion with the directors (as required by auditing standards) and discussed with the directors the policies and procedures regarding compliance with laws and regulations.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the financial statements varies considerably.

Firstly, the group is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related companies legislation), distributable profits legislation, taxation legislation, and UK Care Standards as defined by the Care Quality Commission, and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement items.

Fraud and breaches of laws and regulations – ability to detect (Continued)

Secondly, the group is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the financial statements, for instance through the imposition of fines or litigation or the loss of the group's license to operate. We identified the following areas as those most likely to have such an effect: health and safety, anti-bribery, general data protection regulation (GDPR), employment law, and environmental protection legislation, recognising the nature of the group's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any.

Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information

The directors are responsible for the other information, which comprises the Strategic Report and the Directors' Report. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether, based on our financial statements audit work, the information therein is materially misstated or inconsistent with the financial statements or our audit knowledge. Based solely on that work, we have not identified material misstatements in the other information.

Directors' responsibilities

As explained more fully in their statement set out on page 16, the directors are responsible for: the preparation of the financial statements, which are intended by them to give a true and fair view; such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error; assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO HC-ONE TOPCO LTD (Continued)

The purpose of our audit work and to whom we owe our responsibilities

Our report has been prepared for the company solely in accordance with the terms of our engagement. It has been released to the company on the basis that our report shall not be copied, referred to or disclosed, in whole (save for the company's own internal purposes) or in part, without our prior written consent.

Our report was designed to meet the agreed requirements of the company determined by the company's needs at the time. Our report should not therefore be regarded as suitable to be used or relied on by any party wishing to acquire rights against us other than the company for any purpose or in any context. Any party other than the company who obtains access to our report or a copy and chooses to rely on our report (or any part of it) will do so at its own risk. To the fullest extent permitted by law, KPMG LLP will accept no responsibility or liability in respect of our report to any other party.

Clare Partridge
for and on behalf of KPMG LLP
Chartered Accountants
Quayside House
110 Quayside
Newcastle upon Tyne
NE1 3DX

30th March 2023

CONSOLIDATED PROFIT AND LOSS ACCOUNT
For the year ended 30 September 2022

	Notes	Ordinary activities 2022 £'000	Exceptional costs (Note 9) 2022 £'000	Total 2022 £'000	Ordinary activities 2021 £'000	Exceptional costs (Note 9) 2021 £'000	Total 2021 £'000
Turnover	3	652,839	-	652,839	671,785	-	671,785
Cost of sales		(604,978)	(21,210)	(626,188)	(625,588)	(13,258)	(638,846)
GROSS PROFIT/ (LOSS)		**47,861**	**(21,210)**	**26,651**	**46,197**	**(13,258)**	**32,939**
Administrative expenses		(32,754)	-	(32,754)	(32,511)	-	(32,511)
OPERATING (LOSS)/ PROFIT		**15,107**	**(21,210)**	**(6,103)**	**13,686**	**(13,258)**	**428**
Loss on disposal of fixed assets		(3,121)	-	(3,121)	(2,225)	-	(2,225)
Loss on financial assets at fair value through profit and loss account		-	-	-	(6)	-	(6)
Interest receivable and similar income	6	21	-	21	27	-	27
Interest payable and similar charges	7	(96,449)	-	(96,449)	(99,222)	-	(99,222)
LOSS BEFORE TAXATION	8	**(84,442)**	**(21,210)**	**(105,652)**	**(87,740)**	**(13,258)**	**(100,998)**
Tax on loss	10	8,595		8,595	5,224	-	5,224
LOSS AFTER TAXATION FOR THE FINANCIAL YEAR		**(75,847)**	**(21,210)**	**(97,057)**	**(82,516)**	**(13,258)**	**(95,774)**

Results are wholly derived from continuing operations, as per note 3 to these accounts.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 September 2022

	2022 £'000	2021 £'000
LOSS FOR THE FINANCIAL YEAR	**(97,057)**	**(95,774)**
Revaluation of tangible fixed assets	6,018	16,299
Impairment of prior year revaluation	(843)	-
Deferred tax (charge)/ credit	(1,228)	265
TOTAL OTHER COMPREHENSIVE EXPENSE	**(93,110)**	**(79,210)**
Loss for the year and total comprehensive expense attributable to equity shareholders of the Company	(93,110)	(79,210)

CONSOLIDATED AND COMPANY BALANCE SHEETS
As at 30 September 2022

	Notes	Group 2022 £'000	Group 2021 £'000	Company 2022 £'000	Company 2021 £'000
FIXED ASSETS					
INTANGIBLE FIXED ASSETS					
- Goodwill	11	5,120	6,293	-	-
- Negative goodwill	11	(65,410)	(74,069)	-	-
Net balance - negative goodwill		(60,290)	(67,776)	-	-
Other intangible fixed assets	11	723	945	-	-
		(59,567)	**(66,831)**	-	-
TANGIBLE FIXED ASSETS					
Operating properties	12	758,508	842,807	-	-
Other fixed assets	12	105,748	90,412	-	-
		864,256	**933,219**	-	-
INVESTMENTS	13	-	-	280,786	280,786
TOTAL FIXED ASSETS		**804,689**	**866,388**	**280,786**	**280,786**
CURRENT ASSETS					
Stocks	14	682	618	-	-
Debtors - due within one year	15	54,319	50,864	421	398
Cash at bank and in hand	16	58,473	92,981	-	-
		113,474	144,463	-	-
TOTAL ASSETS		**918,163**	**1,010,851**	**281,207**	**281,184**
CREDITORS: amounts falling due within one year	17	(107,234)	(117,720)	(109)	(1,182)
NET CURRENT ASSETS/ (LIABILITIES)		**6,240**	**26,743**	**312**	**(784)**
TOTAL ASSETS LESS CURRENT LIABILITIES		**810,929**	**893,121**	**281,098**	**280,002**
CREDITORS: amounts falling due after more than one year	18	(841,173)	(826,349)	(319,424)	(290,321)
PROVISION FOR LIABILITIES	19	(39,521)	(43,440)	-	-
NET (LIABILITIES)/ ASSETS		**(69,765)**	**23,342**	**(38,326)**	**(10,319)**
CAPITAL AND RESERVES					
Called-up share capital	21	10	10	10	10
Share premium account	21	1,672	1,669	1,672	1,669
Revaluation reserve	21	250,433	256,897	-	-
Merger reserve	21	(33,097)	(33,097)	-	-
Profit and loss account	21	(288,783)	(202,137)	(40,008)	(11,998)
SHAREHOLDERS' (DEFICIT) / FUNDS		**(69,765)**	**23,342**	**(38,326)**	**(10,319)**

The Company has taken the advantage of section 408 of the Companies Act 2006 and consequently a profit and loss account for the Company only has not been presented. The Company had a loss of £28m during the year (for the period 27 April to 30 September 2021: £12m).

These financial statements were approved and authorised for issue by the Board on 29th March 2023.

Signed on behalf of the Board

Mr D Smith
Director
Registration number FC038602

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2022

	Called up share capital £'000	Share premium account £'000	Revaluation reserve £'000	Merger reserve £'000	Profit and loss account £'000	Total £'000
As at 1 October 2020	**102**	**1,304**	**248,121**	-	**(110,724)**	**138,803**
Dividend payable on equity share	-	-	-	-	(3,427)	**(3,427)**
Repurchase of shares	-	(1,304)	-	-	-	**(1,304)**
Movement arising from share for share exchange in acquisition of HC-One Topco 1 Limited	(102)	-	-	(31,321)	-	**(31,423)**
New share issue (see note 21)	10	2,346	-	-	-	**2,356**
Less: share issue costs	-	(677)	-	-	-	**(677)**
Movement arising from share for share exchange in acquisition of FC Turnaround Holdings Group Limited	-	-	-	(1,776)	-	**(1,776)**
Total comprehensive expense for the year						
Loss and comprehensive expense for the financial year	-	-	-	-	(95,774)	**(95,774)**
Revaluation of tangible fixed assets	-	-	16,299	-	-	**16,299**
Deferred tax credit on revaluation of tangible fixed assets	-	-	265	-	-	**265**
Realised revaluation reserve*	-	-	(7,788)	-	7,788	-
As at 30 September 2021	**10**	**1,669**	**256,897**	**(33,097)**	**(202,137)**	**23,342**
New share issue (see note 21)	-	29	-	-	-	**29**
Less: share issue costs	-	(26)	-	-	-	**(26)**
Total comprehensive expense for the year						
Loss and comprehensive expense for the financial year	-	-	-	-	(97,057)	**(97,057)**
Revaluation of tangible fixed assets	-	-	6,018	-	-	**6,018**
Impairment of prior year tangible fixed asset revaluation	-	-	(843)	-	-	**(843)**
Deferred tax charge on revaluation of tangible fixed assets			(1,228)			**(1,228)**
Realised revaluation reserve*	-	-	(10,411)	-	10,411	-
As at 30 September 2022	**10**	**1,672**	**250,433**	**(33,097)**	**(288,783)**	**(69,765)**

*The transfer relates to realisation of revaluation reserve on disposal of properties during the years ended 30 September 2021 and 30 September 2022.

COMPANY STATEMENT OF CHANGES IN EQUITY
For the year ended 30 September 2022

	Called up share capital	Share premium account	Profit and loss account	Total
	£'000	£'000	£'000	£'000
New share issue on incorporation 27th April 2021	10	2,346	-	**2,356**
Less: share issue costs	-	(677)	-	**(677)**
Loss and total comprehensive expense for the period	-	-	(11,998)	**(11,998)**
As at 30 September 2021	**10**	**1,669**	**(11,998)**	**(10,319)**
New share issue	-	29	-	**29**
Less: share issue costs	-	(26)	-	**(26)**
Loss and total comprehensive expense for the year	-	-	(28,010)	**(28,010)**
As at 30 September 2022	**10**	**1,672**	**(40,008)**	**(38,326)**

CONSOLIDATED CASH FLOW STATEMENT
For the year ended 30 September 2022

	Notes	2022 £'000	2021 £'000
Net cash inflows from operating activities	22	31,586	56,435
Cash flows from investing activities			
Purchase of tangible fixed assets		(44,162)	(30,999)
Purchase of intangible fixed assets		(3,303)	(2,476)
Proceeds from sale of tangible fixed assets		62,669	16,303
Purchase of subsidiaries		-	(70,131)
Cash acquired		-	50
Interest received		21	27
Net cash flows from/ (used in) investing activities		**15,225**	**(87,226)**
Cash flows from financing activities			
Repayment of term loans		(47,335)	(461,226)
Drawdown of term loan		-	540,000
Repayment of loan notes		-	(85,311)
Proceeds on issue of shares (equity and preference), net of issue costs		-	85,151
Loan issue costs (including exit fees)		-	(24,270)
Finance costs paid		(33,984)	(32,588)
Repurchase of shares		-	(2)
Net cash flows (used in)/ from financing activities		**(81,319)**	**21,754**
Net decrease in cash and cash equivalent in the year		**(34,508)**	**(9,037)**
Cash and cash equivalent at beginning of year		92,981	102,018
Cash and cash equivalent at end of year	16	**58,473**	**92,981**
Reconciliation to cash at bank and in hand:			
Cash at bank and in hand		**58,473**	92,981

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

1. ACCOUNTING POLICIES

The principal accounting policies are summarised below. They have all been applied consistently throughout the current year and the preceding period.

Corporate restructuring

On 27 April 2021 HC-One Topco No.1 Limited (formerly FC Skyfall TopCo Limited) and its subsidiary undertakings undertook a corporate restructuring including the introduction of a new parent company, HC-One Topco Limited (formerly Skyfall 2021 Limited), a company incorporated and registered in the Cayman Islands on 9 April 2021. The Company is a private company limited by shares. The Company's registered office address is given on page 1. The principal activities of the Company and its subsidiaries (the Group) and the nature of the Group's operations are set out in the Director's report on page 12.

HC-One TopCo Limited acquired a 100% issued share capital of HC-One TopCo No.1 Limited from the former parent company, FC Skyfall SPV Limited and certain management shareholders on a share for share exchange (equity and preference shares).

On the basis that the acquisition was a share for share exchange and the restructuring represented a change in identity of the parent company rather than an acquisition of a business, the Director has considered that merger accounting is more appropriate to present a true and fair view of the state of affairs of the Group and of its results for the current year end the preceding period.

On 27 April 2021, HC-One TopCo Limited further acquired a 100% issued share capital of FC Skyfall Turnaround Holdings Limited from the former parent company, FC Skyfall SPV Limited and certain management shareholders on a share for share exchange (equity and preference shares).

General information and basis of accounting

The consolidated financial statements have been prepared to meet the requirements of the UK Companies Act 2006 applicable to overseas companies as set out in SI 2009/1801 The Overseas Companies Regulations 2009 as being overseas companies group accounts under those Regulations.

Financial statements of the Company have been voluntarily prepared alongside the consolidated financial statements. No company profit and loss account (or related note disclosure) has been presented, as if the exemptions under the UK Companies Act 2006 s408 were applicable to them.

The financial statements have been prepared under the historical cost convention, modified to include certain items at fair value, and in accordance with UK accounting standards, including Financial Reporting Standard 102 (FRS102) as issued by the UK Financial Reporting Council.

The functional currency of the Company is considered to be pounds sterling because that is the currency of the primary economic environment in which the Company operates. The Consolidated financial statements are also presented in pounds sterling. The Group do not have any foreign operations.

Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiary undertakings drawn up to 30 September each year. The financial statements of the Company have been presented alongside the consolidated financial statements. Exemptions have been taken in these separate Company financial statements in relation to a cash flow statement, the remuneration of key management personnel, and the disclosure of intercompany transactions with other group undertakings within Group.

The results of subsidiaries acquired or sold are consolidated for the periods from or to the date on which control passed. Business combinations are accounted for under the purchase method. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

In accordance with FRS102, the results of the group have been prepared using merger accounting principles applicable for group reconstructions. Under merger accounting, the results and the cash flows of the group are combined from the beginning of the financial period in which the merger occurred.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

1. **ACCOUNTING POLICIES (Continued)**

Going Concern

In assessing the basis of preparation of the financial statements for the year ended 30 September 2022, the Directors use the Group's anticipated future cash flows and undertake a range of sensitivities to identify any plausible situations which could put pressure on the Group's ability to continue as a going concern. In challenging the Director's assessment in respect of the going concern statements, which were based on anticipated future cash flows agreed by the Board as part of the Group's planning process, the Directors focused on the Group's headroom within its financial covenants and the liquidity available in the Group. The period of assessment is considered to be at least 12 months from the date of approval of these financial statements

At 30 September 2022, the Group's principal facility is a loan of £570.0m, which consisted of £540.0m towards repayment of existing Group indebtedness and a further facility of £30.0m available for draw down to fund working capital and capital expenditure. No financial covenants are tested within the period to 30 September 2022 and there is no amortisation during the term of the loan Financial covenant testing commences on 30 June 2023 with a leverage ratio of 8.50; a debt service cover ratio of 1.10 and a minimum cash balance of £16m.

The Directors have undertaken a rigorous assessment of going concern and liquidity, taking into account financial forecasts, as well as the potential impact of key uncertainties and sensitivities on the Group's future performance. In making this assessment the Directors have considered the Group's existing debt levels, the committed funding and liquidity positions under its debt covenants, its ability to generate cash from trading activities and its working capital requirements. The Directors have also identified a series of mitigating actions that could be used to preserve cash in the business should the need arise.

The basis of the assessment continues to be the Board-approved business plan. The business plan is prepared annually for the next five-year period and is based on a bottom-up approach to all of the Group's existing operations, potential new operations and administrative functions. As part of the planning process, consideration was given to the ongoing impact of Covid-19, occupancy growth, fee pricing, labour usage and labour pricing.

Due to the limited adverse impacts of Covid-19 on the Group's trading, the Directors believe that appropriate sensitivities in assessing the Group's ability to continue as a going concern are to model reductions in occupancy growth; lower fee increases; increased labour usage; and increased labour pricing. The Directors believe that a stress test of these sensitivities to assess the headroom available under the Group's debt covenants and available liquidity provides meaningful analysis of the Group's ability to continue as a going concern. Based on the headroom available, the Directors are then able to assess whether the reductions required to breach the Group's financial covenants, or exhaust available liquidity, are plausible.

This stress test shows that, even after assuming a reduction in occupancy growth; lower fee increases; increased labour usage; and increased labour pricing, the Group can still retain sufficient liquidity to meet all liabilities as they fall due and remain compliant with the Group's financial covenants.

Consequently, the Directors are confident that the Group will have sufficient funds to continue to meet its liabilities as they fall due for at least 12 months from the date of approval of the financial statements and therefore have prepared the financial statements on a going concern basis.

Business combinations

Business combinations are accounted for using the purchase method as at the acquisition date, which is the date on which control is transferred to the entity.

At the acquisition date, the Group recognised goodwill as:

(a) the fair value of the consideration transferred; plus

(b) the fair value of the equity instrument issued; plus

(c) directly attributable transaction costs; less

(d) the fair value of identifiable assets acquired and liabilities and contingent liabilities assumed.

When the excess is negative, this is recognised and separately disclosed on the face of the balance sheet as negative goodwill.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

1. ACCOUNTING POLICIES (Continued)

Intangible assets - goodwill

Goodwill arising on the acquisition of subsidiary undertakings and businesses, representing any excess of the fair value of the consideration given over the fair value of the identifiable assets and liabilities acquired, is capitalised and written off on a straight line basis over its useful economic life, which is 10 years which is consistent with Group policy. Provision is made for any impairment.

Negative goodwill arising on a business combination in respect of acquisitions is included as intangible fixed assets on the balance sheet and released to the profit and loss account over a period of 10 to 25 years, in which the non-monetary assets arising on the same acquisition are recovered. Any excess exceeding the fair value of non-monetary assets acquired shall be recognised in the profit or loss in the period expected to benefit.

The carrying value of negative goodwill is assessed periodically to determine whether they are indications of further amount to be released to the profit and loss account in which the non-monetary assets arising on the same acquisition are recovered.

Intangible assets – software licences

Separately acquired software licences are included at cost and amortised on a straight line basis over their estimated useful economic life of between 1 to 3 years.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets, other than investment properties and freehold land, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset on a straight-line basis over its expected useful life. Residual value represents the estimated amount which would currently be obtained from disposal of an asset, after deducting estimated costs of disposal, if the assets were already of the age and in the condition expected at the end of its useful life.

Impairment reviews are performed where there are indicators that the carrying value may not be recoverable. An impairment loss is recognised in the profit and loss account to reduce the carrying value to the recoverable amount.

Revaluation of properties

The Group has revalued its individual freehold and leasehold properties at fair value. Any surplus or deficit on book value (other than investment properties) being transferred to the revaluation reserve, except that a deficit which is in excess of any previously recognised surplus over depreciated cost relating to the same property, or the reversal of such a deficit, is charged (or credited) to the profit and loss account.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

1. ACCOUNTING POLICIES (Continued)

Depreciation

Operating properties

Operating properties comprise of land and building used in the Group's principal activity, the management and running of care homes principally for the elderly. Buildings are depreciated in equal instalments over the estimated economic useful lives of each category of asset. The estimated useful economic life of the land is indefinite and hence no depreciation is charged. The estimated useful economic lives of the buildings are as follows:

Freehold and leasehold buildings	- 30 to 50 years

The useful economic lives of the freehold and leasehold buildings of the Group have been estimated at between 30 to 50 years from the date these properties have become owner occupied.

Other fixed assets

Other fixed assets are stated at cost, net of depreciation and any provision for impairment. Depreciation is provided on all other fixed assets at rates calculated to write off the cost less estimated residual value, of each asset on a straight line basis over its expected useful life, as follows:

Buildings and grounds	- shorter of the term of the lease or useful economic useful life
Fixtures, fitting and equipment	- 3 to 5 years
Motor vehicles	- 3 to 5 years

Impairment reviews are performed where there are indicators that the carrying value may not be recoverable. An impairment loss is recognised in the profit and loss account to reduce the carrying value to the recoverable amount.

Investments

Investments are stated at cost less provision for any impairment in value.

Stock

Stocks are stated at the lower of cost and estimated net realisable value. Cost is calculated using the FIFO (first-in, first-out) method.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

Unrelieved tax losses and other deferred tax assets are recognised only to the extent that, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

When the amounts that can be deducted for tax for an asset (other than goodwill) that is recognised in a business combination is less (more) than the value at which it is recognised, a deferred tax liability (asset) is recognised for the additional tax that will be paid (avoided) in respect of that difference. Similarly, a deferred tax asset (liability) is recognised for the additional tax that will be avoided (paid) because of a difference between the value at which a liability is recognised and the amount that will be assessed for tax. The amount attributed to goodwill is adjusted by the amount of deferred tax recognised.

1. ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax liabilities are recognised for timing differences arising from investments in subsidiaries and associates, except where the Company is able to control the reversal of the timing differences and it is probable that it will not reverse in the foreseeable future.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of the timing difference. Deferred tax relating to non-depreciable property, measured using the revaluation model and investment property is measured using the tax rates and allowances that apply to sale of the asset. In other cases, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting year, to recover or settle the carrying amount of its assets and liabilities.

Where items recognised in other comprehensive income or equity are chargeable to or deductible for tax purposes, the resulting current or deferred tax expense and income is presented in the same component of comprehensive income or equity as the transaction or other event that resulted in the tax expense or income.

Current tax assets and liabilities are offset only when there is a legally enforceable right to set off the amounts and the Company intends either to settle on a net basis or to realise that assets and settle the liability simultaneously.

Deferred tax assets and liabilities are offset only if: (a) the Group has a legally enforceable right to set off current tax assets against current tax liabilities; (b) the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Turnover

Turnover of operating business represents fee income receivable from care services provided. Turnover is recognised in the period in which the Group obtain the right to consideration as the services provided under contracts have been delivered and is recorded at the value of the consideration due. When payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of Creditors due within one year.

Cost of sales

Cost of sales includes home payroll costs, home running costs, depreciation and amortisation.

Exceptional costs

The Company separately presents certain items as exceptional on the face of the profit and loss account. Exceptional items are material items of income or expense that, because of their size or incidence, are shown separately to improve a reader's understanding of the financial information. Further information is given in note 9.

Finance costs

Costs which are incurred directly in connection with the raising of term loans and loan notes are amortised at a constant rate over the lives of the loan facility. The cost is written off fully when the existing facility is cancelled or repaid.

Interest

Interest receivable and interest payable are recognised in the financial statements on an accruals basis.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

1. **ACCOUNTING POLICIES (Continued)**

Foreign currencies

Transactions denominated in foreign currencies are recorded at the rates of exchange for sterling ruling at the dates of the transactions. All monetary assets and liabilities in foreign currencies are expressed in sterling at the balance sheet date at the rates of exchange prevailing at that date. Exchange differences are recognised in profit and loss account in the period in which they arise.

Leases

The Group as lessee

Assets held under finance leases, hire purchase contracts and other similar arrangements, which confer rights and obligations similar to those attached to owned assets, are capitalised as tangible fixed assets at the fair value of the leased asset (or, if lower, the present value of the minimum lease payments as determined at inception of the lease) and are depreciated over the shorter of the lease terms and their useful lives. The capital elements of future lease obligations are recorded as liabilities, while the interest elements are charged to the profit and loss account over the lease term to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals under operating leases are charged on a straight-line basis over the lease term, even if the payments are not made on such a basis. Benefits received and receivable as an incentive to sign an operating lease are similarly spread on a straight-line basis over the lease term. No asset is recognised on the Group or the Company's balance sheet.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased assets and recognised on a straight-line basis over the lease term.

Operating leases and contracts

Provisions are made for future operating lease payments on those homes which are not forecast to be profitable.

Pension Schemes

The Group operate auto enrolment into company Default Pension Schemes. The Default Pension Schemes are managed by external third parties. All pension schemes are accounted for as defined contribution pension schemes and therefore the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the period. Differences between contributions payable in the period and contributions actually paid are shown as either accruals or prepayments in the balance sheet.

Government grants

Government grants are recognised based on the accrual model and are measured at the fair value of the asset received or receivable. Grants are classified as relating either to revenue or to assets. Grants relating to revenue are recognised in income over the period in which the related costs are recognised. Grants relating to assets are recognised over the expected useful life of the assets. Where part of a grant relating to an asset is deferred, it is recognised as deferred income. Government grants received are for use in capital improvement projects of qualifying care homes.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

1. **ACCOUNTING POLICIES (Continued)**

Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provision of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit and loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial assets and liabilities are only offset in the balance sheet when, and only when there exists a legally enforceable right to set off the recognised amounts and the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Group transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Group, despite having retained some, but not all, significant risks and rewards of ownership, has transferred control of the asset to another party.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expired. There are no significant restrictions placed on the Group in fulfilling its financial liability obligations.

Debtors

Debtors are recognised initially at cost less any provision for impairment.

Cash and cash equivalents

Cash and cash equivalents includes cash and balances in financial statements at no or short notice.

Creditors

Trade creditors are recorded initially at fair value, net of transaction costs incurred.

Loans

Interest-bearing term loans and loan notes are recorded at the proceeds received, net of direct issue costs. Any difference between the amount initially recognised and the redemption value is recognised in the profit and loss account over the year of the borrowing using the effective interest rate method.

Impairment of assets

Assets, other than those measured at fair value, are assessed for indicators of impairment at each balance sheet date. If there is objective evidence of impairment, an impairment loss is recognised in profit or loss as described below.

Non-financial assets

An asset is impaired where there is objective evidence that, as a result of one or more events that occurred after initial recognition, the estimated recoverable value of the asset has been reduced. The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

1. ACCOUNTING POLICIES (Continued)

Impairment of assets (Continued)

Non-financial assets (Continued)

Where indicators exist for a decrease in impairment loss, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

Financial assets

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION

In the application of the Group's accounting policies, which are described in note 1, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies and key sources of estimation uncertainty

The following are the key sources of estimation uncertainty that the directors has assessed as being applicable to the entity and that have the most significant effect on the amounts recognised in the financial statements. It is deemed that there are no critical accounting judgements.

Fixtures and fittings

Accounting for fixtures and fittings involves the use of estimates for determining (a) the useful lives of the assets, over which they are to be depreciated, and (b) the existence and amount of any impairment. Details of fixtures and fittings are provided in note 12.

Fixtures and fittings are depreciated on a straight line basis over their estimated useful lives. When the Group estimates useful lives, various factors are considered including expected technology obsolescence and the expected usage of the asset. The Group regularly reviews these assets useful lives and future economic utilisation and the physical condition of the assets concerned.

The carrying value of fixtures and fittings is assessed periodically to determine whether there are indications of any impairment of the value beyond the depreciation charge. If this is the case, an impairment charge is taken against the carrying value of the assets and charged to profit and loss account. The impairment of fixed assets requires management judgement in determining the amounts to be impaired; in particular judgement is used when assessing the future cash flows.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION (Continued)

Key sources of estimation uncertainty

(a) Goodwill and Negative goodwill

Goodwill and negative goodwill require an estimation of the period expected to benefit at the date of business combination.

The carrying value of negative goodwill is assessed periodically to determine whether they are indications of further amount to be released to the profit and loss account in which the non-monetary assets arising on the same acquisition are recovered.

(b) Provision for impairment of trade receivables

The Group makes an estimate of trade receivables recoverability and a provision for impairment which was based on past experience on collection history. The actual receivable collections may differ from the estimated recoverable, which could impact operating profit or loss.

Given the uncertainties in the estimates used to determine the provisions, the actual outflow of resources may differ from the estimated amounts, which could impact operating profit or loss.

(c) Provisions

Provisions are recognised when an event in the past give rise to a current obligation for the Company, settlement of which requires an outlay that is considered probable and can be estimated reliably. The obligation may be legal or constructive; deriving from regulations, contracts or normal practices that lead third parties to reasonably expect that the Group will assume certain responsibilities. The amount of the provision is determined based on the best estimate of the outflow of resources required to settle the obligation, taking into account all the available information. No provision is recognised if the amount of liability cannot be estimated reliably. See note 19 to the financial statements.

(d) Deferred tax assets and liabilities

Deferred tax assets and liabilities require management judgement in determining the amounts to be recognised; in particular judgement is used when assessing the extent to which deferred tax assets should be recognised with consideration given to the timing and level of future taxable income and gains or losses arising from revaluation of properties. Refer to note 20 for further details of deferred tax assets and liabilities recognised.

(e) Fair values of properties

Determining the fair value of freehold and long-leasehold properties requires estimation based upon the market and cash flows of assets. As at 30th September 2022, the directors have performed a review of the carrying value of the properties taking into consideration market conditions and performance of the properties. Management have assumed the market is stable against that of 2021 and that properties will meet future forecast trading figures. Hence no other revaluation of properties has been undertaken in the current period. See further details in note 12.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

3. SEGMENTAL INFORMATION

Operating business led by HC-One Limited, HC-One No.1 Limited, HC-One No.2 Limited, HC-One No.3 Limited, HC-One No.4 Limited, HC-One No. 5 Limited, HC-One Management Limited and HC-One No.6 Limited care home operators in the UK providing nursing, residential and domiciliary care to the elderly.

The Group has a central function which conducts corporate and administrative activities.

Turnover	**2022**	**2021**
Sales to third parties:	**£'000**	**£'000**
Operating business	652,839	671,785
	652,839	**671,785**

	2022	**2021**
Profit before taxation	**£'000**	**£'000**
Operating business	(6,103)	428
Group operating (loss)/ profit	**(6,103)**	**428**
Loss on disposal of tangible fixed assets	(3,121)	(2,225)
Loss arising from fair value of interest rate swap hedges	-	(6)
Interest payable and similar expenses	(96,428)	(99,195)
Loss before taxation	**(105,652)**	**(100,998)**

Net (liabilities)/ assets	**2022**	**2021**
	£'000	**£'000**
Operating business	730,864	836,251
	730,864	**836,251**
Term loan (net of issue costs) (note 18)	(522,280)	(534,560)
10% cumulative preference shares	(278,349)	(278,349)
Net (liabilities)/ assets	**(69,765)**	**23,342**

4. STAFF COSTS

The aggregate staff costs (including Directors) were as follows:

Group	**2022** **£'000**	**2021** **£'000**
Wages and salaries	435,738	432,300
Social security costs	29,888	28,527
Other pension costs*	6,641	6,852
	472,267	**467,679**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

4. STAFF COSTS (Continued)

Average monthly number of employees (including Directors):	2022	2021
Group	**No.**	**No.**
Administrative	618	581
Care staff	19,784	22,226
	20,402	**22,807**

*The Group operates defined contribution retirement benefit schemes for all qualifying employees. The total expense charged to the profit and loss in the year ended 30 September 2022 was £6,641,000 (2021: £6,852,000).

Company

There are no staff costs incurred by the Company during the current year or the preceding period. All employees are employed by HC-One Limited, HC-One No.1 Limited, HC-One No.2 Limited, HC-One No.3 Limited, HC-One No.4 Limited, HC-One No. 5 Limited, HC-One No.6 Limited and HC-One Management Limited, the Company's group undertakings.

5. DIRECTOR'S EMOLUMENTS

The director's aggregate emoluments in respect of qualifying services were as follows:

	2022	2021
Group	**£'000**	**£'000**
Emoluments	1,406	1,075
Company contributions to money purchase pension schemes	53	48
	1,459	**1,123**
No. of directors accruing benefits under defined contribution scheme	1	2

	2022	2021
Highest Paid Director	**£'000**	**£'000**
Emoluments	686	592
	686	**592**

During the year, directors' pay rose by 3% in line with senior management increases, and the remaining increase is derived from accrued bonuses in respect of the prior year.

6. INTEREST RECEIVABLE AND SIMILAR INCOME

	2022	2021
Group	**£'000**	**£'000**
Interest receivable from a loan to a director	-	27
Interest receivable from bank deposits	21	-
	21	**27**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

7. INTEREST PAYABLE AND SIMILAR CHARGES

Group	2022 £'000	2021 £'000
Interest payable on term loans	65,281	47,234
Interest payable on loan notes	-	12,582
10% cumulative preference share dividends	27,761	16,658
Amortisation of loan issue costs	2,961	12,685
Exit fees payable on term loan	-	9,628
Other bank finance costs	446	435
	96,449	**99,222**

8. LOSS BEFORE TAXATION

	2022 £'000	2021 £'000
Loss before taxation is arrived after charging/(crediting):		
Depreciation of tangible fixed assets (note 12):		
- owned assets	42,291	37,428
- leased assets	9,995	9,560
Negative goodwill credited to profit and loss (note 11)	(8,659)	(5,474)
Amortisation of goodwill (note 11)	1,173	1,176
Amortisation of capital grant	(319)	(389)
Amortisation – other intangible assets (note 11)	3,525	2,614
Impairment of fixed assets (see note 9 and 12)	1,993	8,813
Restructuring costs (note 9)	4,087	965
Onerous lease provision (see note 9 and 19)	1,326	755
Exceptional COVID-19 costs (see note 9)	1,846	2,725
Exceptional agency premium costs	11,958	-
Government grants (including Furlough Scheme, Infection Control Fund and Rapid Testing Fund grants) *	(18,995)	(26,995)
Operating lease rentals – land and buildings	23,804	25,261

* In addition to government grants, the Group received government assistance in the form of cost recoveries and occupancy guarantees in Scotland.

Auditor's remuneration	2022 £'000	2021 £'000
The analysis of auditor's remuneration (including VAT) is as follows:		
Fees payable to the Company's auditor for the audit of the Company's annual financial statements pursuant to legislation	25	50
Fees payable to the Company's auditor for the audit of the Company's Subsidiaries' annual financial statements	421	450
Total auditor's remuneration	**446**	**500**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

9. EXCEPTIONAL COSTS

Group	2022 £'000	2021 £'000
Included within cost of sales:		
Impairment of fixed assets (note 12)	1,993	8,813
Restructuring costs	4,087	965
Exceptional COVID-19 Costs	1,846	2,725
Exceptional agency premium costs	11,958	-
Onerous lease provision (note 19)	1,326	755
Total exceptional costs	**21,210**	**13,258**

Impairment of fixed assets

As at 30 September 2022, the Freehold and Long leasehold operating properties which were under offer were revalued to their offer price. This resulted in an impairment of £1,993,000 (2021: £8,597,000) through the profit and loss account. The Group carried out an impairment review of its other fixed assets resulting in Buildings and Grounds and Fixtures and Fittings being written down by £nil within in the year ended 30 September 2022 (2021: £216,000).

Restructuring costs

Exceptional costs totalling £4,087,000 have been incurred relating to the group restructuring costs in the year ended 30 September 2022 (2021: £965,000).

Exceptional COVID-19 costs

During the year, the Group incurred exceptional costs in relation to COVID-19 totalling £1,846,000 (2021: £2,725,000), which includes Personal Protective Equipment ("PPE") related costs.

Exceptional agency premium costs

During the year, the Group incurred exceptional agency costs which are deemed to be at a temporary premium due to external market factors resulting in higher than expected costs, these totalled £11,958,000 in the year to 30 September 2022 (2021: £nil). The additional costs relate only to incremental vacancies arising from the mandating of the COVID vaccination which came to force during November 2021.

Onerous leases

During the year, the Group conducted a review of the property lease portfolio. The review resulted in a charge to exceptional costs of £1,326,000 in the year ended 30 September 2022 (2021: £755,000).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

10. TAX ON LOSS

Group	2022 £'000	2021 £'000
Current tax		
UK corporation tax on loss for the year	-	203
Adjustment in respect of previous periods	(228)	(73)
Total current tax	**(228)**	**130**
Deferred tax		
Origination and reversal of timing differences	(9,387)	(6,369)
Adjustment in respect of previous periods	3,592	(2,060)
Effect of tax rate changes	(2,572)	3,075
Total deferred tax	**(8,367)**	**(5,354)**
Tax credit per income statement	**(8,595)**	**(5,224)**

Reconciliation of current tax charge		
Loss before taxation	**(105,652)**	**(100,998)**
Tax on loss at standard rate of 19.0% (2021: 19.0%)	**(20,074)**	**(19,190)**
Factors affecting the change:		
Non-deductible expenses	6,141	36,075
Income not taxable for tax purposes	(649)	(26,788)
Adjustments from previous periods	3,641	-
Movement in deferred tax not recognised	4,865	(2,134)
Effects of losses	26	3,563
Land remediation relief	(5)	-
Effects of chargeable gains	309	175
Tax rate changes	(2,849)	3,075
Total tax credit for the year	**(8,595)**	**(5,224)**

The corporation tax rate is due to increase to 25% from 1 April 2023. This rate was substantively enacted on 24 May 2021 and therefore a corporation tax rate of 25% has been used to measure deferred tax assets and liabilities where applicable.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

11. INTANGIBLE ASSETS

Goodwill

	Purchased goodwill
Group	**£'000**
At Cost:	
At 1 October 2021 & 30 September 2022	**11,770**
Accumulated amortisation	
At 1 October 2021	5,477
Charge for the year	1,173
At 30 September 2022	**6,650**
Net book value	
At 30 September 2022	**5,120**
At 30 September 2021	6,293

Other intangible fixed assets – Software licences

	Software Licences
Group	**£'000**
At Cost:	
At 1 October 2021	8,311
Additions	3,303
At 30 September 2022	**11,614**
Accumulated amortisation	
At 1 October 2021	**7,366**
Charge for the year	3,525
At 30 September 2022	**10,891**
Net book value	
At 30 September 2022	**723**
At 30 September 2021	945

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

11. INTANGIBLE ASSETS (Continued)

Negative goodwill

Group	**Negative goodwill £'000**
At Cost:	
At 1 October 2021 & 30 September 2022	**(106,617)**
Accumulated amortisation	
At 1 October 2021	32,548
Credit for the year	8,659
At 30 September 2022	**41,207**
Net book value	
At 30 September 2022	**(65,410)**
At 30 September 2021	(74,069)

Negative goodwill is being amortised on a straight-line basis over a period of 10 to 25 years.

On 27 April 2021, HC-One TopCo Limited further acquired a 100% issued share capital of FC Skyfall Turnaround Holdings Limited from the former parent company, FC Skyfall SPV Limited and certain management shareholders on a share for share exchange (equity and preference shares). Further details of the acquisition are show in the table below.

Acquisition of FC Skyfall Turnaround Holdings Limited group:	**At book value and fair value £'000**
Fixed Assets	
Land and buildings	86,181
Current Assets	
Debtors	20,417
Cash at bank	50
Total assets	**106,648**
Current liabilities	(6)
Provision for liabilities	(7,766)
Total liabilities	**(7,772)**
Net assets	**98,876**
Satisfied by:	
Total consideration (settled in shares)	**70,131**
Negative goodwill	**(28,745)**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

12. TANGIBLE FIXED ASSETS

Operating properties	Freehold operating properties	Long leasehold operating properties	Total
Group	**£'000**	**£'000**	**£'000**
At Cost or Valuation			
At 1 October 2021	784,012	254,627	1,038,639
Additions	338	150	488
Disposals	(63,507)	-	(63,507)
Revaluation	5,812	206	6,018
Depreciation eliminated on revaluation	(181,650)	(41,480)	(223,130)
At 30 September 2022	**545,005**	**213,503**	**758,508**
Accumulated depreciation			
At 1 October 2021	164,415	31,417	195,832
Charge for the year	17,581	9,995	27,576
Disposals	(3,115)	-	(3,115)
Impairment	2,769	68	2,837
Depreciation eliminated on revaluation	(181,650)	(41,480)	(223,130)
At 30 September 2022	-	-	-
Net book value			
At 30 September 2022	**545,005**	**213,503**	**758,508**
At 30 September 2021	619,597	223,210	842,807

As at 30 September 2022, the Freehold and Long leasehold operating properties which were under offer were revalued to their offer price. This resulted in an upwards revaluation of £6,018,000 recognised in Other Comprehensive Income and a downwards impairment of £2,837,000. Of the £2,837,000 impairment, £843,000 was recognised in Other Comprehensive Income reversing previous increases and £1,993,000 through exceptional costs, see note 9.

All the freehold and long leasehold operating properties of the Group have been pledged to secure borrowings of the Group. See further details in note 18 to the financial statements.

As at 30 September 2022 the historical costs of freehold and long leasehold operating properties were £635,549,000 (2021: £698,568,000).

Total capital commitment as of 30 September 2022 was £nil (2021: £nil).

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

12. TANGIBLE FIXED ASSETS (Continued)

Other fixed assets

	Buildings and grounds £'000	Fixtures, fittings & equipment £'000	Motor Vehicles £'000	Total £'000
Group				
Cost				
At 1 October 2021	57,161	149,458	6,755	213,374
Additions	20,124	25,320	-	45,444
Disposals	(3,951)	(10,536)	-	(14,487)
At 30 September 2022	**73,334**	**164,242**	**6,755**	**244,331**
Accumulated depreciation				
At 1 October 2021	23,669	95,023	4,270	122,962
Charge for the year	4,014	20,000	696	24,710
Disposals	(1,868)	(7,221)	-	(9,089)
At 30 September 2022	**25,815**	**107,802**	**4,966**	**138,583**
Net book value: **At 30 September 2022**	**47,519**	**56,440**	**1,789**	**105,748**
At 30 September 2021	33,492	54,435	2,485	90,412
Leased assets included above:				
Net book value: **At 30 September 2022**	-	-	**1,789**	**1,789**
At 30 September 2021	-	-	2,462	2,462

Buildings and grounds figures do not include the value of freehold land and buildings.

The Group carried out an impairment review which resulted in the fixed assets being written down by £nil (2021: £216,000). This amount was included in the cost of sales. The impairment review took into consideration current and expected operating performance.

When considering future operating performance, cash flow projections have been based on management operating profit projections for a three year period which have been approved by management. Future cash flows have been discounted at a discount rate of 8.0%.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

13. INVESTMENTS

Company	
Shares in subsidiary undertakings:	**£'000**
Cost or valuation	
At 1 October 2021 & 30 September 2022	**280,786**

On 27 April 2021, the company acquired 100% of the issued share capital of HC-One Topco No.1 Limited for £280,786,000.

At 30 September 2022, the Company held investments either directly or indirectly in the following subsidiary undertakings:

Name	Principal activity
HC-One Topco No.1 Limited**	Holding Company
HC-One Holdco Limited**	Holding Company
HC-One Holdco 1 Limited**	Holding Company
HC-One Holdco 2 Limited**	Holding Company
HC-One Holdco 3 Limited**	Holding Company
HC-One FinCo Limited*	Holding Company
HC-One Holdings Limited*	Holding Company
HC-One Management Limited*	Management Company
HC-One Upper Midco Limited*	Holding Company
HC-One Intermediate Holdco 1 Limited *	Holding Company
HC-One (NHP5) Limited*	A related undertaking of a care home group
HC-One (NHP6) Limited*	A related undertaking of a care home group
HC-One (NHP1) Limited*	A related undertaking of a care home group
HC-One (NHP3) Limited*	A related undertaking of a care home group
*HC-One (NHP8) Limited	A related undertaking of a care home group
HC-One (NHP7) Limited*	A related undertaking of a care home group
HC-One (NHP4) Limited **	A related undertaking of a care home group
HC-One (NHP2) Limited **	A related undertaking of a care home group
HC-One Intermediate Holdco 4 Limited***	Investment company in care home operating company
HC-One Limited *	Care Home Operator
HC-One Intermediate Holdco 5 Limited*	Holding Company
HC-One No.5 Limited*	Care Home Operator
HC-One Properties 5 Limited *	Investment in care home properties
HC-One No.2 Limited *	Care Home Operator
HC-One No.4 Limited *	Care Home Operator
HC-One Properties 3 Limited****	Investment in care home properties
HC-One Intermediate Holdco 2 Limited *	Holding Company
HC-One Properties 2 Limited ****	Investment in care home properties
HC-One Properties 1 Limited*	Investment in care home properties
HC-One Properties 4 Limited*	Investment in care home properties
HC-One Properties Group Limited*	Holding Company
HC-One No.3 Limited *	Care Home Operator
HC-One No.6 Limited *	Care Home Operator
HC-One Intermediate Holdco 3 Limited **	Holding Company
HC-One No.1 Limited *	Care Home Operator
HC-One Alium Holdco Limited *	Dormant Company

Country of incorporation
* United Kingdom, ** Cayman Islands, *** Jersey, **** Isle of Man

HC-One Topco No.1 Limited shares are held directly by the company. All others are indirect. All shares held are ordinary shares. All investments are at 100% holdings.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

14. STOCKS

	2022	2021
	£'000	£'000
Consumables	682	618

15. DEBTORS: DUE WITHIN ONE YEAR

	2022	2021
Group	£'000	£'000
Trade debtors	34,258	31,029
Other debtors	4,524	4,616
Prepayments and accrued income	13,400	14,582
Amounts due from related Parent undertakings (see note 26)	2,137	637
	54,319	50,864

All financial assets instruments are measured at amortised cost.

Amounts due from related group undertakings

The amounts are due on demand bearing no interest. All amounts related to unsecured debts.

16. CASH AT BANK AND IN HAND

	2022	2021
Group	£'000	£'000
Cash at bank and in hand	58,473	92,981

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

17. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

Group	2022 £'000	2021 £'000
Trade creditors	35,658	33,316
Finance leases (see below)	727	858
Other creditors	5,493	5,627
Taxation and social security	7,279	6,671
Accruals and deferred income	58,077	71,248
	107,234	**117,720**

Amounts due to related group undertakings

The amounts are due on demand bearing no interest. All amounts related to unsecured liabilities.

Finance leases	2022 £'000	2021 £'000
Future minimum payments under finance leases are as follows:		
Between two and five years	736	1,467
Total due after more than one year	736	1,467
Within one year	727	858
Total future minimum payments under finance leases	**1,465**	**2,325**

Finance leases related to assets acquired under hire purchase contracts for motor vehicles.

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

Group	2022 £'000	2021 £'000
Term loan - payable between two and five years	522,280	534,560
10% cumulative 2,783,485.53 preference shares at £100 each	278,349	278,349
Interest payable on preference shares	39,808	11,973
Finance leases (see note 17)	736	1,467
	841,173	**826,349**

Term Loan	2022 £'000	2021 £'000
Term loan - payable between two and five years	532,904	547,456
Less: Issue costs	(10,624)	(12,896)
	522,280	**534,560**

Term loan

On 27 April 2021, HC-One FinCo Limited, entered into a five year £570.0m term loan facility agreement, with a maturity date on 20 April 2026. The loan is secured with unlimited guarantee and by fixed and floating charges over the group assets of HC-One Holdco 3 Limited and its subsidiary undertakings. The loan is subject to 12% interest rate split between cash interest and Paid In Kind interest. Interest accrued is cash interest recognised at 6% in years 1-2, as well as Paid In Kind interest recognised at a rate of 6% in years 1-2, net of any quarterly interest repayments. Cash interest is anticipated to rise to 6.5% in year 3, and to 7.5% in years 4 and 5. Paid In Kind interest reduces to 5.5% in year 3 and to 4.5% in years 4-5.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

18. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR (continued)

10% cumulative preference shares

On 27 April 2021 the Company issued 2,783,485.53 preference shares with a nominal value of £100 per share, which was also the subscription price. The preference shares shall not be entitled to any voting rights. Preference shares are entitled to dividends at a rate of 10% per annum at subscription price and are accrued on daily basis. Amounts outstanding in respect of the preference shares and accrued dividends are shown within the Company balance sheet.

19. PROVISIONS FOR LIABILITIES

Group	2022 £'000	2021 £'000
Deferred taxation (see note 20)	16,325	23,465
Onerous leases (see below)	1,685	755
Other provisions (see below)	21,511	19,220
	39,521	**43,440**

	Onerous leases £'000
At 1 October 2021	755
Charge to exceptional costs	1,326
Utilisation of provision	(396)
At 30 September 2022	**1,685**

Onerous leases

During the year, the Group conducted a review of the property lease portfolio. The review resulted in the onerous lease provision of £1,685,000 at 30 September 2022 (2021: £755,000). The provision is expected to be utilised within the next twelve months.

	Other provisions £'000
At 1 October 2021	19,220
Increase in provision	2,291
At 30 September 2022	**21,511**

Other provisions

During the year, the Group held provisions totalling £21,511,000 (2021: £19,220,000) for various items including insurances and litigation amongst others. The provisions are expected to unwind as and when the outcomes of the specific provisions become more certain.

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

20. DEFERRED TAXATION

Group	Provided 2022	Unprovided 2022	Provided 2021	Unprovided 2021
Deferred tax (asset) / liability	**£'000**	**£'000**	**£'000**	**£'000**
Fixed asset timing differences	50,072	(11,952)	58,567	(10,970)
Short term timing differences	(17,229)	-	(9,792)	-
Losses	(16,518)	(14,587)	(25,310)	(9,151)
	16,325	**(26,539)**	**23,465**	**(20,121)**

	2022 £'000	2021 £'000
Deferred tax (assets)/liabilities:		
Provision at 1 October	23,465	21,318
Adjustment in respect of prior years charged to the profit and loss account (see note 10)	3,592	(2,060)
Adjustment in respect of prior years charged to equity	2,662	-
Deferred tax credit to the profit and loss account (see note 10)	(11,959)	(3,294)
Deferred tax credit in equity	(1,434)	(265)
Movement arising from the acquisition of business	-	7,766
Other tax adjustments	(1)	-
Provision at 30 September	**16,325**	**23,465**

Deferred tax

Company	Provided 2022	Unprovided 2022	Provided 2021	Unprovided 2021
	£'000	**£'000**	**£'000**	**£'000**
Deferred tax (asset) / liability				
Losses	-	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

21. CAPITAL AND RESERVES

	2022	2022	2021	2021
Company	**Number**	**£'000**	**Number**	**£'000**
Called up, allotted and not fully paid:				
Class A1 ordinary share	687,890	7	687,890	7
Class A2 ordinary share	132,110	1	132,110	1
Class B1 ordinary share	93,800	1	85,300	1
Class B2 ordinary share	80,000	1	80,000	1
		10		10

The voting rights of Class A1, Class A2, Class B1 and Class B2 ordinary shares are not ranked equally.

99% of Class B1 and Class 2 ordinary share subscription prices are deferred.

Preference shares of 2,783,485.53 at £100 each are presented as a liability (see note 18), and accordingly are excluded from called up share capital in the balance sheet.

The Group and Company's other reserves are as follows:

- The share premium reserve contains the premium arising on the issue of equity shares.
- The revaluation reserve represents the cumulative effect of revaluations of freehold and long leasehold operating properties which are revalued to fair value at each reporting date.
- The merger reserve represents the effects from adopting merger accounting principles.
- The profit and loss reserve represents cumulative profits or losses, including unrealised profit on the re-measurement of investment properties, net of dividends paid.

22. RECONCILIATION OF OPERATING PROFIT TO OPERATING CASH FLOW

	2022 £'000	2021 £'000
Operating (loss)/ profit (after exceptional costs)	(6,103)	428
Impairment of tangible fixed assets	1,993	8,813
Onerous lease provision	1,326	755
Depreciation of tangible fixed assets	52,286	46,988
Amortisation of negative goodwill	(8,659)	(5,474)
Amortisation of goodwill	1,173	1,176
Amortisation of intangible fixed assets	3,525	2,614
Amortisation of capital grants	(319)	(389)
Loss on disposal of subsidiary undertakings	-	141
Decrease in creditors	(11,763)	(9,979)
Decrease in debtors	(3,559)	(5,748)
(Decrease)/ increase in stocks	(55)	42
Decrease in provisions	1,902	18,419
Tax paid	(161)	(1,351)
Net cash inflow from operating activities	**31,586**	**56,435**

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

23. FINANCIAL COMMITMENTS

Capital commitments relate to amounts contracted for in relation to the purchase of property, plant and equipment. The total capital commitment as at 30 September 2022 was £nil (2021: £nil).

Minimum lease payments under non-cancellable operating leases fall due as follows:

	Land & buildings		Motor Vehicles	
	2022	**2021**	**2022**	**2021**
	£'000	**£'000**	**£'000**	**£'000**
Future minimum lease payments due in:				
- within one year	23,504	23,233	181	344
- between two and five years	94,017	92,933	229	238
- after five years	1,256,237	1,234,808	-	-
	1,373,758	**1,350,974**	**410**	**582**

The operating lease of land and buildings is in relation to the care homes held with Ice UK Investments (Jersey) Ltd and ANW TDS (Nominee 1) Limited and ANW TDS (Nominee 2) Limited as trustee of the Index Linked Income Fund, which are subject to rent reviews at specified intervals.

24. DIVIDENDS ON EQUITY

	2022	**2021**
	£'000	**£'000**
Declared and paid during the year:		
Equity dividends on ordinary shares *	-	3,427

Dividends paid on equity shares are recognised when amounts have been declared and paid. Dividends were declared and paid by HC-One Topco 1 Limited to FC Skyfall SPV Limited, its former immediate parent undertaking. It is a non-cash item which resulted from the corporate restructuring steps undertook by the group as part of the refinancing restructuring completed in April 2021.

25. CONTINGENT LIABILITIES AND GUARANTEES

On 27 April 2021, HC-One FinCo Limited, entered into a five year £570.0m term loan facility agreement, with a maturity date on 20 April 2026. The loan is secured with unlimited guarantee and by fixed and floating charges over the group assets of HC-One Topco Limited and its subsidiary undertakings. As at the date of signing the accounts, the drawn down term loan of £520.9m remains outstanding.

26. RELATED PARTY TRANSACTIONS

Amounts due to and from related group undertakings not included in the consolidation group were detailed in the table below:

At 30 September 2022	**Other amounts £'000**
Amounts due from related group undertakings (see note 15):	
FC Skyfall SPV Limited	2,137
	2,137

At 30 September 2021	**Other amounts £'000**
Amounts due from related group undertakings (see note 15):	
FC Skyfall SPV Limited	637
	637

NOTES TO THE FINANCIAL STATEMENTS (Continued)
For the year ended 30 September 2022

27. SUBSEQUENT EVENTS AFTER THE BALANCE SHEET DATE

No significant events are noted after the period ended 30 September 2022 to the date of signing this report.

28. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The immediate parent undertaking is FC Skyfall SPV Limited, a company incorporated and registered in the Cayman Islands.

The Directors regard Skyfall LP, a limited partnership incorporated and registered in the Cayman Islands, as the ultimate parent undertaking.

The ultimate controlling party, beyond Skyfall LP, is Skyfall GP Limited, a company incorporated in Cayman Islands.

The largest group into which these financial statements are consolidated is HC-One TopCo Limited with registered office at c/o Maples Corporate Services Limited, PO Box 309, Ugland House, Grand Cayman KY1-1104 Cayman Islands.

Copies of the consolidated financial statements for the year ended 30 September 2022 are available from Companies House at Crown Way, Cardiff, Wales CF14 3UZ.